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November, 1981

NOJC Show Issue

# Majors to Spend Millions on New Image Kick

## Are Costly Driveway Promotions Coming Back?

## Sigmor's Tom Turner Makes NPN's Hall of Fame

# NPN

National Petroleum News

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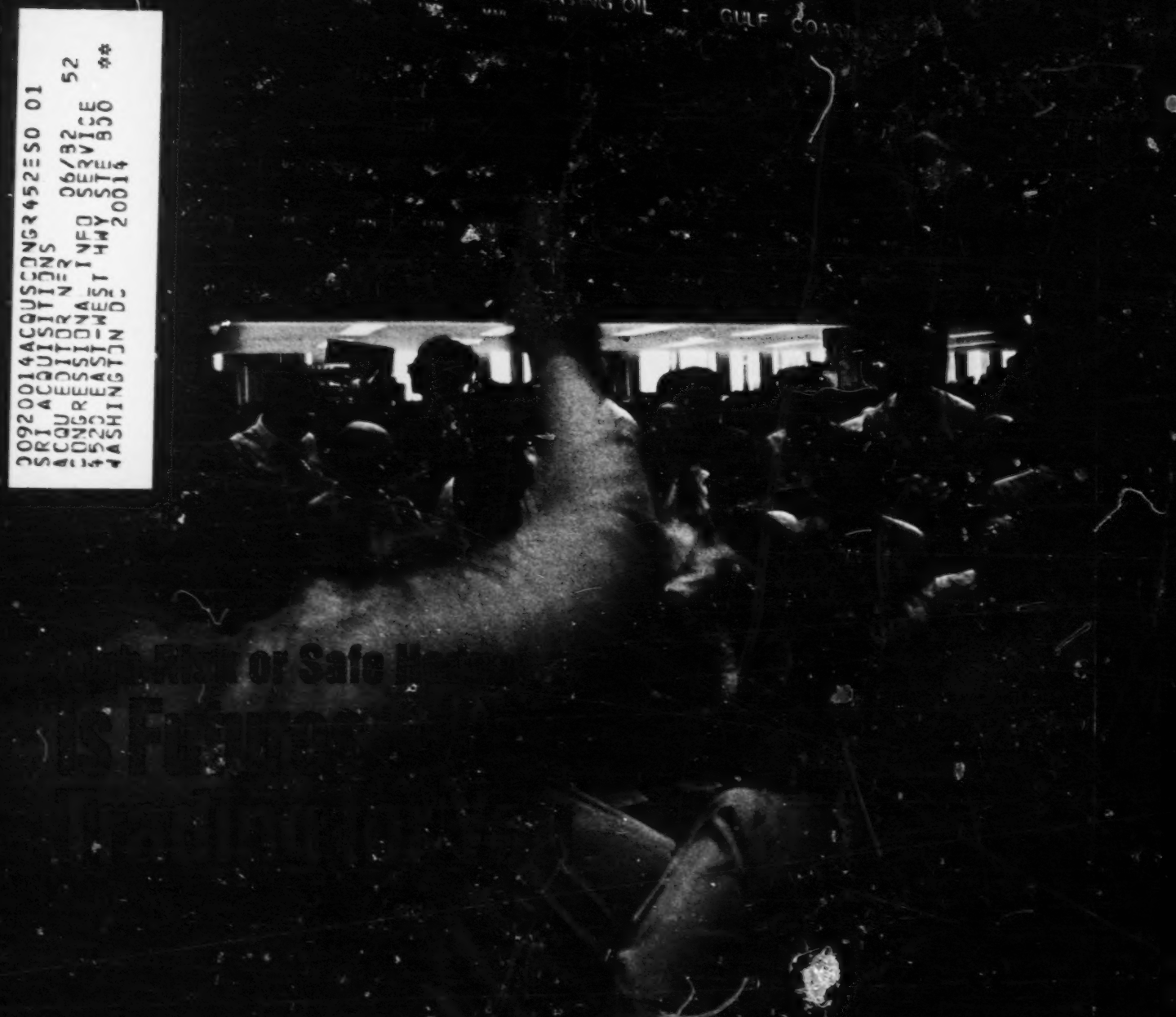

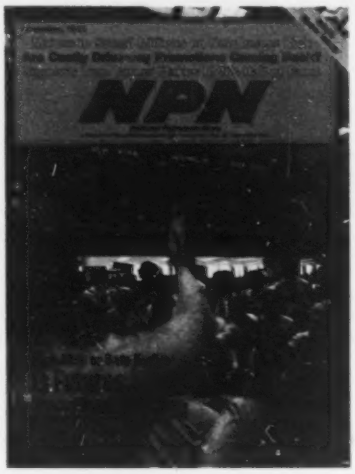


**Cover photo by George Palmisano on the floor of the New York Mercantile Exchange.**

### On the Cover

Oil decontrol, import uncertainties, the crude oil and product glut—all have led to volatile price swings both up and down in recent times. Some of the biggest swings were unpredictable and many marketing programs were thrown into disarray. In the opinion of some, the petroleum product futures market is the lever necessary in today's climate to hedge future risk and offset the arbitrary forces often shaping new conditions. Others look at the growing futures action as little more than high hucksterism. Page 56.

### Unwelcome Comeback?

Called a necessity by some and 'just another way to lose money' by others, island merchandising promotions are trying to return in today's hypercompetitive market. The question is: What lures today's price-conscious consumer in the era of $1-plus motor fuel postings, and how can low-margin conditions support these new giveaway programs. Page 60.

### New Station Images

By the time the reins of government controls were lifted last January, there were those who swore the major brands were on the way out. Seeming neglect and indifference by major companies for their retail marketing programs bolstered this notion. Well, it ain't so any longer. Page 27.

### Fame and Fortune

Tom Turner has built Sigmor Corp. from a $350 lease agreement on a service station to a $1.8-billion (sales) diversified gasoline marketing empire. He takes his place next to other industry greats in NPN's Hall of Fame. Page 64.

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# Trends

## U.S. Fast Restoring Ability to Withstand Oil Import Cutoff

**Oil marketers may greet the news with mixed emotions but the combination of consumer conservation and federal decontrol of crude oil prices is moving the country toward less dependence on foreign oil much faster than thought possible by most experts as recently as 1979.**

A report issued recently by American Petroleum Institute concerning the nation's progress toward energy self-sufficiency contains both good and bad news for marketers.

The good news is the fact that oil imports continue to drop sharply while domestic exploration and production is on the rise. The nation now imports about one-third of its oil supply requirements as compared to almost one-half in the late 1970s. The steady drop in domestic oil and gas production and reserves of the 1970s, meanwhile, has been substantially slowed.

But the nation would still suffer a staggering blow with any sudden, large disruption in foreign oil supplies. Although imports dropped 19% in 1980 and another 20% the first half of this year, it is still importing 5.9-million b/d.

The bad news for oil marketers is that declining import requirements result, in essence, from falling demand for gasoline and heating oil. And, the outlook is for a continued decline in consumption.

Americans drove their cars only 1% less miles in 1980 than in 1979, yet they consumed 6.5% less gasoline. They added 3-million new private and public housing units, yet used 3% less energy to heat their homes. The trends toward long-mileage cars and better insulated homes and buildings will continue to cut into consumption, says the API report.

The long-mileage cars are really beginning to have an impact. In 1974, average fuel efficiency for new passenger vehicles was 14.2 miles per gal. This increased to 23.4 mpg in 1980. Current government standards require the fuel economy of new automobiles sold in 1985 to average 27.5 mpg, but automotive industry forecasts now suggest that new cars in 1985 may average 30 mpg.

Equally dramatic conservation efficiencies are having an impact on residential and commercial space heating.

From 1965 to 1972, energy required by these two sectors increased an average of more than 5.4% a year. There was a brief reduction following the oil embargo in the early 1970s but use then began to rise again in 1976, 1977, and 1978 before a 3% reduction in 1980.

In 1979, 13% of new homeowners added insulation and builders spent some $714 per new house on insulation (compared with $147 in 1972). Architects say that new designs in buildings now are at least 20% more energy efficient than in pre-embargo days, and that 40% to 50% improvements soon will be routine.

American industry—including agriculture, construction, mining and manufacturing—reduced its total energy use in 1980 by 4% from 1979, according to the API report.

The report adds that the nation appears to be "firmly established on the path toward increased energy conservation in the 1980s." Estimates of future U.S. energy consumption have been falling continuously since the oil embargo.

"Forecasts of 1980 energy consumption made in the early 1970s have turned out to be 29% or more above actual 1980 energy use," the report says. "Analysts who projected in the 1970s that Americans would use as much as 55-million bbl. of oil-equivalent daily in 1990 have now scaled their estimates down to as little as 40.5-million bbl. a day."

Normal growth rates, however, will keep pushing up total energy demand, it appears. The Energy Dept. projects that the nation will need the equivalent of 41.1-million bbl. of oil daily in 1990 compared with the actual use of the equivalent of 35.9-million bbl. a day in 1980.

One of the more encouraging things about API's report is its finding that accelerated drilling for oil and natural gas has helped slow the rate of decline in proved U.S. reserves.

During most of the 1970s, the U.S. produced and delivered more oil and gas than it replaced with new discoveries. From 1971 to 1978, the nation used about twice as much oil and natural gas as the domestic industry found.

But in 1979, additions to U.S. reserves equaled almost three-fourths of domestic production.

The U.S. Geological Survey and others estimate that the U.S. still could produce more oil and gas in the future than it has produced since the petroleum industry began in 1859. That means potential future production of 137-billion bbl. of crude oil, 27-billion bbl. of natural gas liquids, and 950-trillion cu. ft. of natural gas. **—Marvin Reid**

# Marketplace at a Glance

### AVERAGE GASOLINE PRICES IN THE U.S. (¢ per gal.)

| AUGUST | Gasoline (all types) | Leaded Regular | Unleaded Regular | Leaded Premium |
|---|---|---|---|---|
| U.S. City Avg. | $1.348 | $1.310 | $1.376 | $1.444 |
| Regions: | | | | |
| Northeast | 1.378 | 1.344 | 1.399 | 1.439 |
| North Central | 1.327 | 1.293 | 1.359 | 1.421 |
| South | 1.327 | 1.286 | 1.351 | 1.397 |
| West | 1.391 | 1.347 | 1.428 | 1.470 |

*Source: U.S. Dept. of Labor, Bureau of Labor Statistics.*

### STOCKS (Add 000 bbl.)

| | 10/2/81 | 10/3/80 |
|---|---|---|
| Gasoline (total) | 239,509 | 252,928 |
| Gasoline (unleaded*) | 93,048 | 87,987 |
| Kerosine ** | 50,019 | 49,750 |
| Distillates | 209,978 | 232,079 |
| Residual | 74,083 | 91,265 |

**Included in finished gasoline total;*
***Includes jet fuel.*
*Source: American Petroleum Institute.*